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By Lockwood Barr

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ASSOCIATED WITH

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Standard Oils for the Long Pull

THE oil industry is literally rolling in riches, wallowing in wealth and mired in money.

War orders have speeded up the machinery of the United States to a pitch never paralleled in history; our mechanical activity is unequalled; the railroads are groaning under record traffic. Oil exports are at the maximum. All of which spells a gigantic consumption of oil in all its various forms.

The prices of the oil stocks are naturally at the highest level in their history. Strange to say, however, the disbursement to stockholders is relatively but little larger than normal if the increase in the capital is taken into proper consideration. As an index take the disbursement of the various Standard Oil concerns. The increase in the past three years has been gradual, but hardly proportionate to the increase in foreign and domestic business and the big advance in the price of the stocks. Table I shows the total dividend payments by quarters for the past three years of the thirty-four Standard Oil concerns.

The oil stocks then must be anticipating increased disbursements, either increases in the regular cash rates, extras in cash or stock melons; else how account for the trifling yield which averages less than 3 per cent. at the current prices of the stocks and present cash dividend rates?

TABLE I

DIVIDEND PAYMENTS IN THREE YEARS BY 34 STANDARD OIL COMPANIES

Calendar Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
1916.....	$22,207,000	$29,731,000	$20,382,000	$23,745,000	$96,066,000
1915.....	15,241,000	14,368,000	15,891,000	17,291,000	62,791,000
1914.....	17,904,000	16,426,000	14,430,000	14,931,000	63,691,000

Only once in a lifetime does the chance come to man to acquire fabulous wealth quickly in a roaring bull market. That opportunity has knocked at the door of every man for the past two years. The public—both the speculator and the investor—has tasted easy and quick money.

In stirring financial times like these it is far easier to sell a gold brick to the initiated than to sell to the uninitiated a high grade, high priced seasoned dividend paying investment security which is yielding, say, 3 per cent. at the current price and visible rate of dividends.

And this in spite of the fact that history of the high grade, high priced investment Standard Oil stocks, which we are considering, shows that the average annual yield to the wise and patient investor has been many times the visible 3 per cent. This, of course, due to the magic of the extra cash dividends or big melons.

I have chosen a hard row to hoe when I preach the truth of the profitableness of these high grade, high priced Standard Oil stocks for investment for a long pull.

If money has been made by the Standard Oil companies, then it can be made by new concerns, especially in prosperous times like these, is the argument of those who seek the short-cut to wealth. For such the nimble and ever-ready get-rich-quick promoter offers plenty of vehicles to try out the theory. Even since oil was discovered in the Pennsylvania hills and valleys in the early '50s, the oil promoter has been with us. There is hardly a square foot of the scenery in the United States which has not been defaced by an oil derrick. The books of obsolete, obsolescent and insipid securities contain more defunct oil stocks than all others together. While we are on this subject, here are some simple statistics which furnish food for thought as to the future:

Purpose of the new issue of capital	Amount new capital authorized during 28 months since war was declared, Aug. 1, 1914, to Dec. 1, 1916
Oil & Gas Companies	$521,616,000
Ship Companies	101,622,000
War Supplies	131,685,000
Dye & Chemicals	167,563,000
Total	$922,486,000

Over 58 per cent. of all this new capital has gone into the development of oil, and it is worth while remembering that this total is for new oil concerns, not the Standard Oil concerns. Now out of all this new capital many new concerns doubtless may come through successful; but how many? Today the number of successful independent oil companies of more than five years' standing may be counted upon the fingers of one's two

TABLE II

A theoretical investment of one share each in the sixteen of the Standard Oil Stocks bought January 1, 1912, and sold at current levels. Stock dividends, rights to subscribe to new stock, etc., disposed of at the time of issue of these extras and credited to income account. The figures used as to cash dividends, proceeds of sale of rights, etc., are of course, approximations, but minimum figures have been used where possible in order to be on the conservative side.

Company	Approx. Price One share each Jan. 1, 1912	Approx. Price One share each Dec. 15, 1916	Cash Div's. Five Years, Jan. 1, 1912 to Jan. 1, '17	Proceeds Sale Stock Dividends or Rights	Total Income Five Years
Alt. Ref	$280	$1,000	$50	....	$50
Chesebrough	650	500	192	$670	862
Galena	220	200	69	160	229
Ohio Oil	*65	*400	70	†69	139
Prairie Oil & Gas	225	650	50	383	433
Solar	450	400	103	1,191	1,294
South Penn	360	600	113	†1,275	1,388
S. O. of Cal	150	380	45	260	305
S. O. of Ind	4,000	875	94	16,617	16,711
S. O. of Kas	140	575	87	538	625
S. O. of Ky	200	800	64	†730	794
S. O. of Neb	160	590	105	295	400
S. O. of N. J	365	700	135	....	135
S. O. of N. Y	270	275	40	1,028	1,106
S. O. of Ohio	190	440	94	315	409
Vacuum	440	400	39	315	354
Totals	$8,165	$8,785	$1,350	$23,846	25,234

*Par Value $25.

†Recent increase in Stock not included.

SUMMARY OF FIVE YEARS INVESTMENT

Original Cost, 16 Stocks	$8,165
Value Today	8,785
Profit by Sale	$620
Five Years' Cash Dividends	$1,350
Proceeds Sale of Stock Dividends, etc	23,846
Total Income in Five Years	$25,816
Average Annual Income:	
Cash Dividends Alone	$270
Total Income	$5,163
Yield from Cash Dividends	3.31%
Yield from Total Income	63.23%

hands and out of these one could almost count upon one hand the number whose stocks are attractive for investment purposes. That fact is worth mulling over.

There is a form of financial literature to which the investor has been well educated—too well educated. That form of prospectus tells of the many millions the lucky man is now worth who bought one share of Henry Ford's stock when he peddled it around to investors. (The trouble is that Mr. Ford offered it only to a few.) They tell what one of Mr. Rockefeller's partners is worth who let John D. handle that hundred which was in the savings bank at 3 per cent., *et cetera ad infinitum.*

Now I am going to fight the Devil with fire and use his own weapons. Facts are more fascinating and fabulous than fiction. And the facts are with me. In my figures which are set forth in Table II there is truth for those who will read.

The get-rich-quick promoter talks alluringly of big dividends and quick profits; sometimes by insinuation or by openly promising 100 per cent. profits; dependent upon his cupidity or his cunning.

Let us steal his thunder and come out in the open and say that high grade standard dividend paying Standard Oil stocks during the past five years might have averaged the wise and patient investor over 60 per cent. upon the original invest-

ment. And what is more, the milk is not all out of the cocoanut.

Now get your breath and try to become acclimated to the idea that sometimes an investment, which upon its face is only a 3 per cent. investment, may prove a speculation, if you chose to call it that, in addition to being a safe investment first, last and always.

To put these statements into cold hard statistics there have been selected sixteen Standard Oil stocks, not because of their disbursement record, but because they are now generally recognized by authorities to be the best in the group of thirty-four stocks, and incidentally they are the highest priced and yield the least upon the visible dividend rate. For purposes of this discussion assume that one share each of these sixteen stocks was purchased January 1, 1912. Such melons, stock dividends, rights, etc., as were declared, were converted into cash at the time of issue and credited to income. The stocks are sold now and the profit is added to income. The results follow:

Original Cost Sixteen Stocks	$8,165
Value today	8,785
Profit by Sale	$620
Five Years' Cash Dividends	$1,350
Proceeds Sale of Stock Dividends, etc	23,846
Total Income in Five Years	$25,816
Average Annual Income:	
Cash Dividends Alone	$270
Total Income	$5,163
Yield from Cash Dividends	3.31%
Yield from Total Income	63.23%

Considering that the original investment of $8,165 is intact, 63 per cent. a year is not such a bad average annual yield. But this is based upon the minimum, for had the purchaser held on to the melons and exercised his rights to subscribe to new stock, etc., and then sold out the whole thing now—well, what is the use of staggering the imagination? On the one share of Standard Oil of Indiana, which cost $4,000, there was given a melon of twenty-nine shares. These twenty-nine shares today would be worth $25,375. That twenty-nine was sold when issued for only $16,700, which is a loss of $10,000 to our income account, or $2,000 a year or 25 per cent. a year on the original investment of $8,165. And so on through the list of errors of judgment we made in selling immediately and not holding on until today.

Today one share each of these sixteen stocks would cost $8,735 and the dividends, based upon the present rate, would be $267, or an average of 3.05 per cent., as is set forth by Table III.

In this list of sixteen stocks there are two which have not cut stock melons—Atlantic Refining and Standard Oil of New Jersey. Something special has for a long time been expected by the holders of these two securities and when they do come they are going to be worth while waiting for. There are others which have cut melons which will cut melons again. In this class come the South Penn Oil, the Ohio Oil and the Standard Oil of Kentucky, which will shortly give stockholders very valuable melons.

TABLE III

PRICES AND YIELDS OF SIXTEEN STANDARD OILS

Company	Capital Stock	Annual Dividend Rate %	Approximate Price	Approximate Yield %
Atlantic Refining	$5,000,000	20	$1,000	2.00
Chesebrough	1,500,000	14	500	2.80
Galena-Signal	12,000,000	12	200	6.00
Ohio Oil	15,000,000	96	*400	6.00
Prairie Oil & Gas	18,000,000	20	650	3.07
Solar Refining	2,000,000	10	400	2.50
South Penn Oil	12,500,000	32	600	5.34
S. O. of Cal.	74,500,000	10	380	2.63
S. O. of Ind.	30,000,000	12	875	1.37
S. O. of Kas.	2,000,000	20	575	3.50
S. O. of Ky.	3,000,000	20	800	2.50
S. O. of Neb.	1,000,000	20	590	3.41
S. O. of N. J.	100,000,000	20	700	2.90
S. O. of N. Y.	75,000,000	8	275	2.90
S. O. of Ohio	7,000,000	15	440	3.40
Vacuum Oil	15,000,000	8	400	2.00
Total Cost Now 16 Stocks				$8,785
Annual Income on Visible Dividends				265
Average Yield on Cost				3.05%

*Par, $25.

In other words, the man who buys today gets the stocks upon approximately the same basis of yield, so far as visible cash dividends are concerned, as the man who bought five years ago. Prospects today of large cash dividends, stock melons, etc., are infinitely better than five years ago, for the oil companies have just started to reward stockholders for the long patient wait for their share of war prosperity. And be it remembered that whatever may have been the crime of the Standard Oil, the companies have been run for the ultimate benefit of the stockholders, as the dividend record indicates.

STANDARD OILS FOR THE LONG PULL

It is the secret grief of most of us that we do not recognize Old Opportunity when he knocks at our door. The opportunity to invest in Standard Oil stocks is with us all the time. They never are cheap from the standpoint of immediate yield. Those who buy no other kind of stock say the only time to buy Standard Oils is when one has the money and can put the stock away for keeps. On that basis they are always cheap.

We do not guarantee the statements and figures presented herein, but they are taken from sources which we believe to be accurate.

JAS. H. OLIPHANT & CO.

Jan. 2, 1917

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Standard Oil Company